

March 27, 1998

Honorable Bill Archer
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Congressional Budget Office and the Joint Committee on Taxation (JCT) have reviewed the Committee on Ways and Means' amendment to H.R. 2400, the Building Efficient Surface Transportation and Equity Act of 1998. The JCT estimates that this amendment would decrease governmental receipts by \$5 million in fiscal year 1999 and increase receipts by a total of \$341 million over fiscal years 1998 through 2003. CBO concurs with this estimate. In addition, CBO estimates that the amendment would increase outlays by \$247 million over fiscal years 1998 through 2003.

The revenue and outlay effects of the committee's amendment to H.R. 2400 are summarized in the table below. Please refer to the enclosed table for a more detailed estimate of the budgetary impact of the amendment.

Estimated Budget Effects of the Committee on Ways and Means' Amendment to H.R. 2400							
(By fiscal year, in millions of dollars)							
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total 1998-2003</u>
Revenues	0	-5	a	20	162	164	341
Outlays							
Non-extension of Ethanol Tax Benefits	0	0	0	22	46	43	111
Increase in Deposits to Boat Safety Account	0	0	0	-8	-9	-8	-25
Transfer of More Fuel Taxes to ARTF	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>	<u>56</u>	<u>87</u>	<u>161</u>
Total Outlays	0	0	0	32	93	122	247

NOTE: ARTF=Aquatic Resources Trust Fund; positive revenue changes refer to an increase in revenues; estimates are net of reduced income and payroll taxes; positive outlay changes refer to an increase in outlays.
a. Less than \$500,000

BASIS OF ESTIMATE

Revenues

The committee's amendment to H.R. 2400 would extend federal highway taxes, but not extend the partial excise tax exemption for gasoline-ethanol blends or the income tax credit for alcohol fuels after the calendar year 2000. By law, the baseline assumes extension of these taxes and exemptions, so that the net budgetary impact of the amendment would be the result of changes in the tax structure. These changes would increase revenues by more than \$1.5 billion over fiscal years 1998 through 2003. Other major provisions in the amendment would repeal the tax on heavy truck tires and the 4.3 cent per gallon tax on railroad diesel fuel. In total, the amendment is estimated to raise \$341 million in revenues over five years.

Outlays

Without any tax benefits for ethanol production after 2000, CBO expects that demand for, and production of, ethanol would decline. As a direct result, corn demand and price would fall, starting in fiscal year 2001. The decline in corn price would increase likely costs of the Commodity Credit Corporation under its marketing assistance loan operations for feed grain. CBO estimates an increase in direct spending for agricultural price supports of \$22 million in fiscal year 2001 and \$111 million over fiscal years 2001 through 2003. These outlay effects would occur in function 350.

Section 1102 of the amendment would extend through 2003 transfers of excise taxes on motorboat and small engine fuels from the Highway Trust Fund into the Aquatic Resources Trust Fund (ARTF). This section also would increase transfers to the ARTF to the full amounts earned from excise taxes on these two products. Under current law, 6.8 cents of the 18.3 cents per gallon earned is deposited into the general fund. Transfers to the ARTF would rise to 14.9 cents for fiscal year 2000 and to 18.3 cents for each year thereafter. Finally, section 1102 would direct the Secretary of the Treasury to deposit to the fund's boat safety account up to one-half of the motorboat fuels taxes transferred each year (unless such deposits would result in an account balance greater than one-half of the previous year's transfers), rather than the current maximum of \$70 million.

CBO estimates that the phased-in increase in the portion of motorboat and small engines fuels taxes transferred to the ARTF would increase mandatory spending from the fund's sport fish restoration account by \$18 million in 2001 and by a total of \$161 million through 2003. We estimate that the change in the amounts allocated to the boat safety account would reduce spending for the sport fish account by \$8 million to \$9 million annually over this same period. We estimate that net additional spending would be \$10 million in 2001 and a total of \$136 million through 2003.

The change in deposits of excise taxes to the Highway and Transit Accounts of the Highway Trust Fund could affect the minimum allocation program. Spending for the minimum allocation program is direct spending. At this time, we cannot determine whether this change would have an effect on funding for minimum allocation, or the extent of any such effect.

MANDATES

In accordance with the requirements of Public Law 104-4, the Unfunded Mandates Reform Act of 1995, JCT has determined that the committee amendment contains no federal intergovernmental mandates.

In addition, JCT has determined that the amendment contains two federal private-sector mandates. The provision to extend the Highway Trust Fund and Aquatic Resources Fund excise taxes beyond the current September 30, 1999, expiration date would impose direct costs on the private sector of \$126.5 billion over fiscal years 2000 through 2004. Please refer to the enclosed letter for a more detailed account of the mandates in the amendment.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 establishes pay-as-you-go procedures for legislation affecting receipts or direct spending. Because the committee amendment would affect receipts and direct spending, pay-as-you-go procedures would apply. The estimated pay-as-you-go effects of the committee amendment are shown below.

Pay-as-You-Go Considerations (By fiscal year, in millions of dollars)							
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>1998-2003</u>
Change in Receipts	0	-5	a	20	162	164	341
Change in Outlays	0	0	0	32	93	122	247

a. Less than \$500,000

If you wish further details, please feel free to contact me or your staff may wish to contact Alyssa Trzeszkowski.

Sincerely,

June E. O'Neill
Director

Enclosure

cc: Honorable Charles B. Rangel
Ranking Minority Member